INTERNAL REVENUE SERVICE

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IRS Guidance On Fiber Optic Cable For Cable TV Distribution System

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WASHINGTON — Under the Industry Issue Resolution (IIR) Program, the Internal Revenue Service (IRS) today issued guidance on the treatment of fiber optic cable used in a cable television distribution system.

This guidance is in Revenue Procedure 2003-63, which provides a safe harbor method under which the IRS will treat a node and fiber optic cable used in a cable television distribution system providing one-way and two-way communication services as the unit of property for computing depreciation under §§ 167 and 168 of the Internal Revenue Code.

Cable television companies provide broadcast and video programming to subscribers. In recent years, many companies have upgraded their systems to provide new cable services such as digital television, Internet access through a cable modem, and telephony. Upgraded systems use fiber optic cable because optic fibers have immense capacity and are reliable, and transmissions over them are not susceptible to interference by outside signals. The fiber optic strands of glass (optic fibers) within fiber optic cables carry analog or digital signals in the form of light waves.

The revenue procedure provides a method change procedure to obtain automatic consent to use the safe harbor method.

The IIR Program, launched in 2001 by the IRS, tackles business tax issues submitted by taxpayers, associations and other groups representing taxpayers. The objective is to provide guidance to resolve frequently disputed or burdensome tax issues.

Revenue Procedure 2003-63 will be published in Internal Revenue Bulletin 2003-32, dated Aug. 11, 2003. For information on these documents, go to *www.irs.gov*; also see more on the IIR Program in Revenue Procedure 2003-36 in Internal Revenue Bulletin 2003-18, pg. 859.

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